

NAPA COUNTY

Audit Report

COURT REVENUES

July 1, 2005, through June 30, 2012



JOHN CHIANG
California State Controller

July 2013



JOHN CHIANG
California State Controller

July 1, 2013

Tracy A. Schulze
Auditor-Controller
Napa County
1195 Third Street, Room B-10
Napa, CA 94559

Richard D. Feldstein
Court Executive Officer
Superior Court of California,
Napa County
111 Third Street
Napa, CA 94559

Dear Ms. Schulze and Mr. Feldstein:

The State Controller's Office audited Napa County's court revenues for the period of July 1, 2005, through June 30, 2012.

Napa County's remittances to the State Treasurer were substantially correct. The points discussed in the Findings and Recommendations section do not have a significant effect on those remittances.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: John Judnick, Senior Manager
Internal Audit Services
Judicial Council of California
Julie Nauman, Executive Officer
Victim Compensation and Government Claims Board
Greg Jolivet
Legislative Analyst's Office

Tracy A. Schulze
Richard D. Feldstein

-2-

July 1, 2013

Sandeep Singh, Fiscal Analyst
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State Controller's Office
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Audit Report

Summary

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Napa County for the period of July 1, 2005, through June 30, 2012.

Napa County's remittances to the State Treasurer were substantially correct. The points discussed in the Findings and Recommendations section do not have a significant effect on those remittances.

Background

State statutes govern the distribution of court revenues, which include fines, penalties, assessments, fees, restitutions, bail forfeitures, and parking surcharges. Whenever the State is entitled to a portion of such money, the court is required by Government Code (GC) section 68101 to deposit the State's portion of court revenues with the county treasurer as soon as practical and provide the county auditor with a monthly record of collections. This section further requires that the county auditor transmit the funds and a record of the money collected to the State Treasurer at least once a month.

GC section 68103 requires that the SCO determine whether or not all court collections remitted to the State Treasurer are complete. GC section 68104 authorizes the State Controller to examine records maintained by any court. Furthermore, GC section 12410 provides the SCO with general audit authority to ensure that state funds are properly safeguarded.

Objective, Scope, and Methodology

Our audit objective was to determine whether the county completely and accurately remitted court revenues in a timely manner to the State Treasurer for the period of July 1, 2005, through June 30, 2012. We did not review the timeliness of any remittances the county may be required to make under GC sections 70353, 77201.1(b)(1), and 77201(b)(2).

To meet our objective, we reviewed the revenue-processing systems within the county's Superior Court and Auditor-Controller's Office.

We performed the following procedures:

- Reviewed the accuracy of distribution reports prepared by the county that show court revenue distributions to the State, the county, and the cities located within the county
- Gained an understanding of the county's revenue collection and reporting processes by interviewing key personnel and reviewing documents supporting the transaction flow
- Analyzed various revenue accounts reported in the county's monthly cash statements for unusual variations and omissions

- Evaluated the accuracy of revenue distribution, using as criteria various California codes and the SCO's *Manual of Accounting and Audit Guidelines for Trial Courts*
- Tested for any incorrect distributions
- Expanded any tests that revealed errors to determine the extent of any incorrect distributions

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the county's financial statements. We considered the county's internal controls only to the extent necessary to plan the audit. This report relates solely to our examination of court revenues remitted and payable to the State of California. Therefore, we do not express an opinion as to whether the county's court revenues, taken as a whole, are free from material misstatement.

Conclusion

Napa County's remittances to the State Treasurer are substantially correct. The points discussed in the Findings and Recommendations section do not have a significant effect on those remittances.

Follow-Up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued October 2006, with the exception of inappropriate distribution priority of installment payments.

Views of Responsible Officials

We issued a draft report on April 8, 2013. Richard D. Feldstein, Court Executive Officer, responded by a letter dated April 26, 2013, stating that necessary corrections and updates were instituted. Tracy Schulze, Napa County Auditor-Controller, responded via email dated May 6, 2013, concurring with the Court's responses. The Court's and County's responses are included in this final report as attachments.

Restricted Use

This report is solely for the information and use of Napa County, the Napa County Courts, the Judicial Council of California, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

July 1, 2013

Findings and Recommendations

FINDING 1— Inappropriate distribution of Traffic Violator School bail

The Napa Superior Court did not properly distribute Traffic Violator School (TVS) bail from July 2006 through June 2011. The Court improperly levied a \$4 State Emergency Medical Air Transportation (EMAT) penalty on TVS bail starting January 2011. Also, a 2% state automation fee should be deducted from city base fines and included in a county TVS fund. Court personnel indicated that the distribution error was due to a lack of guidelines in the legislation and direction from the State Controller's Office and the Administrative Office of the Courts.

Starting January 1, 2011, Government Code (GC) section 76000.10 requires a \$4 penalty upon every fine levied on criminal offenses, including traffic offenses but excluding parking offenses. However, upon the election of TVS, the penalties are converted to TVS bail as mandated by Vehicle Code (VC) section 42007. Since EMAT penalties are not included in the exceptions listed within VC section 42007, they should remain as TVS bail.

VC section 42007(c) requires a 2% state automation fee to be deducted from the city base fines.

The inappropriate distributions of county and state penalties affect the revenues reported to the State Trial Court Improvement Fund under the Maintenance-of-Effort formula pursuant to GC section 77205; however, a redistribution of the effect did not appear to be material.

Recommendation

The Court should take steps to insure that EMAT penalties and the 2% state automation fee are distributed in accordance with the statutory requirements. The Court also should make redistributions for the period of July 2012 through the date the current system is revised.

Court Response

The EMAT distribution was corrected in November 2012 and the amounts distributed incorrectly for fiscal year 2012/13 have been re-distributed properly. The 2% distribution was corrected prior to FY 2012/13 so there are no amounts to re-distribute.

County Response

The county Auditor-Controller concurred with the response submitted by the Napa Superior Court.

**FINDING 2—
Inappropriate
distribution of red-
light violation bail**

The Napa Superior Court did not appropriately distribute red-light violation bail from July 2006 through June 2011. The court incorrectly deducted 30% from the additional EMS fund. Also, it did not apply the 30% deduction to the State Court Facility Construction Penalty.

The errors occurred because the court's accounting system has not been programmed to comply with the statutory requirements affecting the distribution of red-light cases.

Penal Code (PC) section 1463.11 requires that 30% of the base fines, the State Penalty, the County Penalty, the EMAT Penalty, and the State Courthouse Construction Penalty be distributed to the general fund of the city in which the offense occurred. However, additional EMS funds (GC section 76000.5) should be excluded from the 30% deduction.

The inappropriate distributions of county and state penalties affect the revenues reported to the State Trial Court Improvement Fund under the Maintenance-of-Effort formula pursuant to GC section 77205; however, a redistribution of the effect did not appear to be material.

Recommendation

The Court should take steps to insure that red-light violation cases are distributed in accordance with the statutory requirements. The Court also should make redistributions for the period of July 2012 through the date the current system is revised.

Court Response

Red Light distributions were corrected in 2011, therefore there are no amounts for FY 2012/13 to re-distribute.

County Response

The County Auditor-Controller concurred with the response submitted by the Napa Superior Court.

**FINDING 3—
Inappropriate
distributions of
Domestic Violence
Fees**

The Napa Superior Court did not appropriately distribute Domestic Violence Fees, causing overstatements to the State Domestic Violence funds. The errors occurred because the court's accounting system has not been programmed to comply with the statutory requirements regarding the distribution of Domestic Violence Fees.

PC section 1203.097(a) (5) requires that a \$400 minimum fee be imposed as condition of probation on domestic violence cases. Two-thirds of it should go to the county domestic violence fund. The remaining one-third should be split evenly between the State Domestic Violence Restraining Order Fund and the State Domestic Violence Training and Education Program.

Failure to properly distribute Domestic Violence Fees affected the revenues reported to the State; however, a redistribution of the effect did not appear to be material.

Recommendation

The Court should take steps to insure that Domestic Violence Fees are distributed in accordance with the statutory requirements. The Court also should make redistributions for the period of July 2012 through the date the current system is revised.

Court Response

The distribution was corrected in October 2012 and the amounts distributed incorrectly for fiscal year 2012/13 will be re-distributed properly within the next 30 days.

County Response

The County Auditor-Controller concurred with the response submitted by the Napa Superior Court.

**FINDING 4—
Inappropriate
distribution of
priority installment
payments**

The Napa Superior Court did not appropriately prioritize its installment payments. The error occurred because the court's computer system was not programmed properly to allow the required distribution sequence of installment payments.

PC section 1203.1d requires a mandatory prioritization in the distribution of all installment payments as follows:

1. Restitution orders to victims
2. 20% state surcharge
3. Fines, penalty assessments, and restitution fines
4. Other reimbursable costs

Any administration fees should be included within Category 4, other reimbursable costs.

Failure to make the required priority distribution causes distributions to the State and county to be inaccurately stated. Measuring the materiality of this finding is not cost effective due to the hours needed to identify and redistribute seven years of cases and accounts.

Recommendation

The Court should take steps to establish formal procedures to ensure that all installment payments are distributed in accordance with the statutory requirements under PC section 1203.1d.

Court Response

The Court updated the priority matrix in early 2012. We will review the current priorities for installment payments to make any further changes needed within the next 30 days.

County Response

The County Auditor-Controller concurred with the response submitted by the Napa Superior Court.

**Attachment A—
County Auditor-Controller's Response
to Draft Audit Report**

Vintze, Joseph

From: Schulze, Tracy <Tracy.Schulze@countyofnapa.org>
Sent: Monday, May 06, 2013 11:22 AM
To: Vintze, Joseph
Cc: Feldstein, Richard D.; Skinner, Lisa; Minahen, Bob
Subject: Napa County Courts Audit

As County Auditor-Controller, I concur with the responses submitted by the County of Napa Superior Court in their letter dated 4/26/13 regarding the audit recommendations. I appreciate the work the Courts and the State has done to complete this audit. Please let me know if you need any additional information or have any further questions.

Sincerely,

Tracy Schulze
Napa County
Auditor-Controller
707-299-1733
tracy.schulze@countyofnapa.org

**Attachment B—
Court's Response to
Draft Audit Report**



Superior Court of California County of Napa

Judges

Diane M. Price
Rodney G. Stone
Francisca P. Tisher
Mark Boessenecker
Michael S. Williams
Elia Ortiz

Commissioner

Monique Langhorne-
Johnson

Court Executive Officer

Richard D. Feldstein

Telephone
(707) 299-1100

Historic Courthouse
825 Brown Street
Napa, CA 94559-3031
FAX: (707) 299-1250

Criminal Courthouse
1111 Third Street
Napa, CA 94559-3001
FAX: (707) 253-4673

Juvenile Courthouse
2350 Old Sonoma Road
Napa, CA 94559-3703
(site address only –
no mail delivery)

April 26, 2013

Steven Mar
Chief, Local Government Audits Bureau
State Controllers Office, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Mar,

The Napa Superior Court has received and reviewed the SCO's draft audit report of for Napa County's Court revenues for the period of July 1, 2005 through June 30, 2012. In response, we have just a few comments that we have summarized in the attached document. In this document, we have re-stated SCO's four recommendations and provided our response to each of those recommendations. Please be aware that the Court has already taken action on all recommendations.

If you have questions or need any additional information regarding our responses, please contact Chief Financial Officer, Lisa Skinner, at 707-299-1248.

Sincerely,

Richard D. Feldstein
Court Executive Officer

RDF/lms

Encl.

CC: The Honorable Diane M. Price, Presiding Judge
Lisa Skinner, Chief Financial Officer
Tracy Schulze, Napa County Auditor-Controller

**Napa County Court Revenues
Audit Report for the period of
July 1, 2005 – June 30, 2012**

Draft Report received 4/15/13

Court responses to SCO Recommendations submitted 4/26/13

Finding #1 – Inappropriate distribution of Traffic Violator School bail

SCO Recommendation:

"The Court should take steps to insure that EMAT penalties and the 2% state automation fee are distributed in accordance with the statutory requirements. The Court also should make redistributions for the period of July 2012 through the date the current system is revised."

Court Response:

The EMAT distribution was corrected in November 2012 and the amounts distributed incorrectly for fiscal year 2012/13 have been re-distributed properly. The 2% distribution was corrected prior to FY 2012/13 so there are no amounts to re-distribute.

Finding #2 – Inappropriate distribution of red-light violation bail

SCO Recommendation:

"The Court should take steps to insure that red-light violation cases are distributed in accordance with the statutory requirements. The Court also should make redistributions for the period of July 2012 through the date the current system is revised."

Court Response:

Red Light distributions were corrected in 2011, therefore there are no amounts for FY 2012/13 to re-distribute.

Finding #3 – Inappropriate distributions of Domestic Violence Fees

SCO Recommendation:

"The Court should take steps to insure that Domestic Violence Fees are distributed in accordance with the statutory requirements. The Court also should make redistributions for the period of July 2012 through the date the current system is revised."

Court Response:

This distribution was corrected in October 2012 and the amounts distributed incorrectly for fiscal year 2012/13 will be re-distributed properly within the next 30 days.

Finding #4 – Inappropriate distribution of priority installment payments

SCO Recommendation:

"The Court should take steps to establish formal procedures to ensure that all installment payments are distributed in accordance with the statutory requirements under PC section 1203.1d."

Court Response:

The Court updated the priority matrix in early 2012. We will review the current priorities for installment payments to make any further changes needed within the next 30 days.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>